THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRIMANI SHANKAR AIYAR): (a) Yes, Sir. The prices of WTI (West Texas Intermediate, the bench mark crude oil in the USA) rose from US$ 56.35/ bbl to US$ 62.28/bbl during the period June 2005 to October 2005. Similarly the price of Brent (dated) (bench mark crude oil in Europe) also rose from US$ 54.39/bbl to US$ 58.61/bbl during the same period.

(b) The fluctuation in international oil prices has a cascading effect on the overall economy affecting primary sectors such as transport, power, fertilizers etc. besides generating inflationary potential and slowing down the growth rate of the economy.

(c) With a view to containing the burden of the increase in international prices on consumers of petroleum products, Public Sector Oil Marketing Companies (OMCs) have not passed on the full increase in international prices to the domestic consumer prices of these products. The burden borne by oil companies will, of course, go up to the extent that domestic prices are not revised upwards when international prices shoot up. With effect from 1st August 2004 Government had worked out a price band mechanism, allowing OMCs freedom to revise the prices of petrol and diesel within the prescribed price band. However, the steep and volatile increase in the international prices of crude oil resulted in the ceiling of the price band being breached within weeks of its being made operational resulting in the mechanism being placed in abeyance. It is hoped that when international prices stabilize, or Government so decides, the price band mechanism might be restored. It may be noted that private sector companies are free to fix their prices.

Illegal use of LPG

698. SHRI DATTA MEGHE: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there was shortage of supply of LPG in the Capital and other States of the country during September and October, 2005;

(b) if so, the details thereof;

(c) the specific reasons for shortage of LPG;

(d) the measures taken to overcome the shortage of LPG;

(e) whether Government are aware of the diversion of domestic LPG cylinders for commercial use and in cars;

(f) if so, the measures taken to check this illegal use of LPG; and

(g) by when, the supply of LPG is likely to become normal?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRIMANI SHANKAR AIYAR): (a) to (d) and (g) Demand for LPG in the country is met by a combination of domestic production and imports. A temporary shortage of LPG emerged in September 2005 when Reliance Industries Ltd. (RIL), the single largest domestic supplier of LPG announced a shut down of their Fluidized Catalytic Cracker (FCC) unit at Jamnagar for maintenance work with effect from October 2005, at just about the time global LPG supplies became tight, domestic production was affected by the fire at Mumbai High and partly on account of the impact of Hurricane Katrina on US refineries. This upset the plans made by our Oil Marketing Companies (OMCs) to effect imports in time to offset the anticipated shortage in supplies on account of the RIL shut down.

Further rumours in the market that OMCs would not be able to meet the demand led to a sudden spurt in demand. There were also a strike in bottling plants in the National Capital Territory (NCT) area towards the end of September 2005 which aggravated the situation. The Ministry took matters in hand early in October, 2005 when it was decided that through a combination of inventory management and imports, directly handled by a composite task force of the OMCs under the close supervision of the Government, physical shortages of supply would be overcome as quickly as possible. It was also decided that bottling plants in the NCT area would work on Sunday, 9th October 2005 and other holidays. On the basis of these decisions, it was announced that the physical shortage in the NCT area would end by Dusshera and substantively in the rest of the country by Deepavali. These objectives have been largely achieved. In addition to the arrangements made earlier by OMCs to import 642 Thousand Metric Tonnes (TMT) of LPG during the period October-December 2005, arrangements have been made to import an additional quantity of 237.9 TMT during this period, 116 TMT of which has already reached the country. Thus, the overall physical shortage in the country at present has been reduced to only about 1.5% of the average monthly consumption of LPG However, the backlog at the micro-level may vary from market to market

on account of operational reasons. The situation is expected to normalize further by the end of November 2005 on the restoration of production in RIL's refinery.

Joint Venture Projects of oil companies

699. SHRI V. NARAYANASAMY: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that various Government owned oil companies have proposed to start joint venture projects of gas and oil with huge investments with foreign agencies; and

(b) if so, the details of companies they propose to tie-up for gas and oil production?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) Oil and Natural Gas Corporation Ltd. (ONGC) and ONGC Videsh Limited (OVL), Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Ltd. (BPCL) and Hindustan Petroleum Corporation Ltd. (HPCL) have proposed to start venture projects. The details of their joint venture projects are given in the enclosed Statement.

Statement

Details of joint venture projects

1. Oil and Natural Gas Corporation (ONGC) and ONGC Videsh Ltd. (OVL)

   ONGC and OVL have tied up with Mittal Investment Sari and two agreements have been signed to form two joint ventures viz. ONGC Mittal Energy Ltd. (OMEL) and ONGC Mittal Energy Services Ltd. (OMESL).

2. Indian Oil Corporation Limited (IOCL)

   IOCL has proposed to set-up an Integrated LNG Project in Iran along with Petropars, a 100% subsidiary of Naftlran Intertrade Company Limited of Iran.

3. Bharat Petroleum Corporation Limited (BPCL)

   BPCL has a joint venture i.e. Bharat Oman Refineries Limited (BORL) to set up a 6 MMTPA grassroots refinery at Bina with Oman Oil Company Limited.